

Second Quarter ended on 30 September, 2005 Financial Statement And Dividend Announcement

The Board of Directors of Meghmani Organics Limited (“MOL” or the “Company” or “the Issuer”) wishes to make the following announcement of the un-audited results for the Second Quarter ended on September 30, 2005 as follows:-.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			Group		
	3 months ended		%	6 months ended		%
	30 /09/2005	30/09/2004	Increase (Decrease)	30 /09/2005	30/09/2004	Increase (Decrease)
	Rs' '000	Rs' '000		Rs' '000	Rs' '000	
Revenue	1,064,665	993,937	7.1	1,929,495	1,601,325	20.5
Cost of sales	(796,520)	(756,434)	5.3	(1,465,807)	(1,219,242)	20.2
Gross Profit	268,145	237,503	12.9	463,688	382,083	21.4
Other operating income	12,330	13,942	(11.6)	31,977	32,021	(0.1)
Distribution expenses	(87,829)	(61,746)	42.2	(157,623)	(112,860)	39.7
Administrative expenses	(30,967)	(32,724)	(5.4)	(60,762)	(61,972)	(1.9)
Other operating expenses	(1,218)	4,304	n.m.	(5,071)	9,318	n.m.
Profit from operations	160,461	161,279	(0.5)	272,209	248,590	9.5
Finance cost	(16,130)	(14,206)	13.5	(26,998)	(26,895)	0.4
Income from investments	-	1,131	n.m.	151	1,131	(86.6)
Profit before tax	144,331	148,204	(2.6)	245,362	222,826	10.1
Income tax	(38,441)	(46,024)	(16.5)	(62,431)	(71,302)	(12.4)
Profit after income tax	105,890	102,180	3.6	182,931	151,524	20.7

1(a)(ii) The net profit attributable to the shareholders includes the following charges/ (credits):

	Group			Group		
	3 months ended		%	6 months ended		%
	30 /09/2005	30/09/2004	Increase (Decrease)	30 /09/2005	30/09/2004	Increase (Decrease)
	Rs' '000	Rs' '000		Rs' '000	Rs' '000	
Bad trade receivables written off (recovered)	15	(2,158)	n.m.	16	(2,025)	n.m.
Foreign currency exchange adjustment loss (gain)	1,203	(2,795)	n.m.	5,028	(7,942)	n.m.
Research and development expenditure	4,251	2,542	39.6	6,452	4,550	41.8
Loss on sales of property, plant	-	471	n.m.	-	471	n.m.
Loss on sales of investments	-	10	n.m.	27	10	170.0

Note: n.m. means not meaningful.

1(b) (i) A balance sheet of the Company and Group, together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30.09.2005	As at 31.03.2005	As at 30.09.2005	As at 31.03.2005
	Rs '000	Rs '000	Rs '000	Rs '000
ASSETS				
Current assets				
Cash & bank balances	53,701	54,870	50,213	53,923
Trade receivables	1,595,222	1,308,152	1,670,416	1,366,186
Other receivables and prepayments	325,438	265,113	313,876	262,441
Inventories	711,040	551,985	654,931	502,558
Income tax recoverable	-	2,784	-	3,371
Total current assets	2,685,401	2,182,904	2,689,436	2,188,479
Non – current assets				
Property, plant and equipments	1,158,398	1,024,756	1,158,300	1,024,756
Interests in subsidiaries	-	-	373	373
Available for sale investments	4,949	4,549	4,949	4,549
Total non – current assets	1,163,347	1,029,305	1,163,622	1,029,678
Total assets	3,848,748	3,212,209	3,853,058	3,218,157
LIABILITIES AND EQUITY				
Current liabilities				
Bank borrowings	838,308	387,626	838,308	387,626
Trade payables	517,735	377,169	517,746	374,123
Other payables	48,227	73,813	48,030	73,813
Incometax payable	5,262	-	5,262	-
Total current liabilities	1,409,532	838,608	1,409,346	835,562
Non – current liabilities				
Bank borrowings	54,563	111,189	54,563	111,189
Deferred tax liabilities	97,927	91,927	97,927	91,927
Total non – current liabilities	152,490	203,116	152,490	203,116
Capital & reserves				
Issued capital	200,630	200,630	200,630	200,630
Share premium	663,259	663,259	663,259	663,259
General reserve	404,130	404,130	404,130	404,130
Capital redemption reserve	18,433	18,433	18,433	18,433
Dividend reserve	-	68,055	-	68,055
Currency translation reserve	667	(698)	-	-
Accumulated profits	999,607	816,676	1,004,770	824,972
Total equity	2,286,726	2,170,485	2,291,222	2,179,479
Total liabilities and equity	3,848,748	3,212,209	3,853,058	3,218,157

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 September, 2005		As at 31 March 2005	
Secured	Unsecured	Secured	Unsecured
Rs '000	Rs '000	Rs '000	Rs '000
757,750	80,558	382,491	5,135

Amount repayable after one year

As at 30 September, 2005		As at 31 March 2005	
Secured	Unsecured	Secured	Unsecured
Rs '000	Rs '000	Rs '000	Rs '000
54,563	-	111,189	-

The details of bank borrowing from various banks and securities are shown below:

Bank borrowing from a consortium banks (SBI, Corporation Bank and ICICI Bank)

As at September 30, 2005 bank borrowing amounting to Rs. 648,062,000 are secured by:

- first ranking pari passu charge in favour of a consortium of banks by way of hypothecation on the Company's trade receivables and inventories ; and
- first ranking pari passu charge in favour of a consortium of banks by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

Bank borrowing from other banks

Bank A (ICICI Bank Limited – Working Capital)

As at September 30, 2005 bank borrowing amounting to Rs. 163,688,000 are secured by:

- first ranking pari passu charge by way of hypothecation on the Company's current assets; and
- first ranking pari passu charge by way of hypothecation and/or legal mortgage over certain of Company's present and future properties, plant and equipment.

Bank B (HDFC Bank Limited – Foreign currency loan)

As at September 30, 2005, bank borrowings amounting to Rs 80,558,000 are unsecured.

As at September 30, 2005 motor vehicle loans amounting to Rs 563,000 (March 31, 2005 : Rs 1,173,000) are secured by hypothecation of the respective motor vehicles purchased.

As at September 30, 2005 the Company has unutilized bank credit facilities amounting to Rs. 375,100,000 (March 31, 2005: Rs. 189,000,000).

- 1(c) A cash flow statement of the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Particulars	Group		Group	
	3 months ended		6 months ended	
	30.09.2005	30.09.2004	30.09.2005	30.09.2004
	Rs '000	Rs '000	Rs '000	Rs '000
Cash flows from operating activities				
Profit from operation	160,462	161,279	272,209	248,590
Adjustments for :				
Depreciation of property, plant and equipment	31,126	27,576	60,311	54,355
Profit/ Loss on disposal of property, plant and equipment	-	471	-	471
Operating cash flows before movements in working capital	191,588	189,326	332,520	303,416
Trade receivables	(270,287)	(371,575)	(287,070)	(188,802)
Other receivables and prepayments	88,312	20,950	(60,325)	(11,405)
Inventories	13,479	38,219	(159,055)	(87,771)
Trade payables	(160,969)	(21,477)	140,566	102,220
Bills payables	75,688	97,301	50,892	(84,500)
Other payables	17,059	11,470	(25,586)	49,705
Cash generated (used in) from operations	(45,130)	(35,786)	(8,058)	82,863
Income taxes paid	(30,337)	(26,189)	(48,361)	(38,712)
Interest and finance charges paid	(16,130)	(14,206)	(26,998)	(26,895)
Net cash (used in) from operating activities	(91,597)	(76,181)	(83,417)	17,256
Cash flows from investing activities:				
Purchase of property, plant & equipments	(115,812)	(35,675)	(193,953)	(79,495)
Purchase of investments available for sale	(400)	(250,877)	(400)	(250,880)
Proceeds on disposal of property, plant & equipments	-	1,090	-	1,090
Investment income received	-	1,131	151	1,131
Net cash (used in) investing activities	(116,212)	(284,331)	(194,202)	(328,154)
Cash flows from financing activities:				
Dividend and Dividend tax paid	(68,055)	(44,925)	(68,055)	(44,925)
Proceeds from bank borrowings, net of repayments	222,837	(71,896)	343,164	(160,137)
Proceeds from initial public offering	-	34,700	-	34,700
Share premium (Net of issue expenses)	-	435,653	-	435,653
Net cash (used in) from financing activities	154,782	353,532	275,109	265,291
Net effect of exchange rate change in consolidation	31	-	1,341	-
Net (decrease) increase in cash and cash equivalents	(52,996)	(6,980)	(1,169)	(45,607)
Cash and cash equivalents at beginning of year	106,697	78,627	54,870	117,254
Cash and cash equivalents at end of year	53,701	71,647	53,701	71,647

1 (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

Rs '000

	Issued capital	Share premium	General reserve	Capital redemption reserve	Dividend reserve	Currency translation reserve	Accumulated Profits	Total
Balance as at March 31, 2004	165,930	229,390	364,130	18,433	44,925	-	631,014	1,453,822
Addition during the year	34,700	435,653	-	-	-	-	-	470,353
Net profit for the period	-	-	-	-	-	-	151,524	151,524
Dividend paid	-	-	-	-	(44,925)	-	-	(44,925)
Balance as at September 30, 2004	200,630	665,043	364,130	18,433	-	-	728,538	2,030,774
Balance as at March 31, 2005	200,630	663,259	404,130	18,433	68,055	(698)	816,676	2,170,485
Dividend paid	-	-	-	-	(68,055)	-	-	(68,055)
Currency translation reserve	-	-	-	-	-	1,365	-	1,365
Net profit for the period	-	-	-	-	-	-	182,931	182,931
Balance as at September 30, 2005	200,630	663,259	404,130	18,433	-	667	999,607	2,286,726

Company

Rs '000

	Issued capital	Share premium	General reserve	Capital redemption reserve	Dividend reserve	Accumulated Profits	Total
Balance as at March 31, 2004	165,930	229,390	364,130	18,433	44,925	631,014	1,453,822
Addition during the year	34,700	435,653	-	-	-	-	470,353
Net profit for the period	-	-	-	-	-	151,524	151,524
Dividend paid	-	-	-	-	(44,925)	-	(44,925)
Balance as at September 30, 2004	200,630	665,043	364,130	18,433	-	728,538	2,030,774
Balance as at March 31, 2005	200,630	663,259	404,130	18,433	68,055	824,972	2,179,479
Dividend paid	-	-	-	-	(68,055)	-	(68,055)
Net profit for the period	-	-	-	-	-	179,798	179,798
Balance as at September 30, 2005	200,630	663,259	404,130	18,433	-	1,004,770	2,291,222

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's share capital during the reporting period since the end of the previous reported period.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual Financial Statements have been applied.

The Group's financial statements have been prepared from those accounting records maintained under General Accepted Accounting Practices in India ('Indian GAAP') and adjusted to comply, in all material respects, with the requirements of the International Financial Reporting Standards ("IFRS").

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for and the effect of, the change.

Not Applicable

6. Earning per ordinary share of (the issuer and the group) for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting and provision for preference dividends.

There is no dilution, as no share options were granted during the financial period.

Earnings per Ordinary shares	Group		Company	
	6 months ended		6 months ended	
	30.09.2005	30.09.2004	30.09.2005	30.09.2004
(a) Based on weighted average number of ordinary shares in issue (Rs)	0.91	0.81	0.90	0.81
Earning per SDS (Rs)	0.46	0.41	0.45	0.41
(b) On a fully diluted basis (detailing any adjustments made to the earnings) (Rs)	0.91	0.81	0.90	0.81
Earning per SDS (Rs.)	0.46	0.41	0.45	0.41
Weighted average number of ordinary shares (Nos.)	200,630,000	188,176,027	200,630,000	188,176,027

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-
 (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	As at	As at	As at	As at
	30.09.2005	31.03.2005	30.09.2005	31.03.2005
Net assets value per ordinary share based on issued share capital at the end of the year reported in Rs.	11.40	10.81	11.42	10.86

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-
 (a) any significant factors that affected the turnover , costs , and earnings of the group for the current financial period reported on , including (where applicable) seasonal or cyclical factors ; and
 (b) any material factors that affected the cash flow , working capital , assets or liabilities of the group during the current financial period reported on.

Review of Results

The principal activities of the Group are manufacture and sale of Pigments, Agrochemicals and trading of dyes, dyes intermediates and Agrochemicals technical and intermediates products which are not manufactured by the Group.

Review of results for the quarter ended on September 30, 2005

Revenue

Group revenue for period ended Q2 FY 2006 rose by 7.1% to Rs 1064.66 million, from Rs 993.94 million in Q2 FY 2005.

Breakdown of Revenue by Product

(Rs. in Millions)

Products	Q2 FY 2006	Q2 FY 2005	Increase/ Decrease	%
Pigments	366.84	396.64	(29.80)	(7.5)
Agrochemicals	635.52	560.66	74.86	13.4
Trading	6.77	36.64	(29.87)	(81.5)
Sales by subsidiary	55.53	-	55.53	n.m.
Total	1064.66	993.94	70.72	7.1

Breakdown of Domestic Sales by Product

(Rs. in Millions)

Domestic Sales	Q2 FY 2006	Q2 FY 2005	Increase/ Decrease	%
Pigments	64.43	56.59	7.84	13.9
Agrochemicals	331.19	401.59	(70.40)	(17.5)
Total	395.62	458.18	(62.56)	(13.7)

Breakdown of Exports Sales by Product

(Rs. in Millions)

Export Sales	Q2 FY 2006	Q2 FY 2005	Increase/ Decrease	%
Pigments	302.42	340.05	(37.63)	(11.1)
Agrochemicals	304.33	159.07	145.26	91.3
Trading	6.76	36.64	(29.88)	(81.6)
Sales by subsidiary	55.53	-	55.53	n.m.
Total	669.04	535.76	133.28	24.9

Reasons for Increase / Decrease of Sales

- (a) Export sales of Pigment Division shows reduction of 11.1%. The reason being sales of pigment in Europe, is now being taken care of by Company's subsidiary.
- (b) Export sales of Agrochemicals Division increased significantly by 91.3% due to higher sales of Acephate Technical in USA, Cypermethrin Technical in Australia, Brazil, Hong Kong, Peru, Thailand, Uruguay, Vietnam, Chlorpyrifos Technical in Belgium, Brazil, Paraguay, USA and Thailand and Permethrin and Alpha Cypermethrin.
- (c) Domestic Sales of Pigment Division increased due to a higher quantity of sales of Copper Phthelocynine Crude and Alpha Blue, as the Group continued to expand its customer base.

(d) Domestic sales of Agrochemical Division decreased by 17.5% due to heavy rain in many states like Gujarat, Maharashtra, Madhya Pradesh and Andhra Pradesh. This was compensated by higher export.

Gross profit

The Group's gross profit increased by 12.9% to Rs 268.14 million in Q2 FY2006, from Rs 237.50 million in the corresponding period of previous financial year. Despite an increase in cost of raw materials, the Group's overall gross profit margin increased by 25.2% in Q2 FY2006, compared to 23.9% in Q2 FY2005 as the company was able to pass increase in raw material cost to its customer.

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	Q2 FY 2006	GP Margin (%)	Q2 FY 2005	GP Margin (%)	Increase/ Decrease	%
Pigments	94.67	25.8	77.71	19.6	16.96	21.8
Agrochemicals	167.00	26.3	158.91	28.3	8.09	5.1
Trading	0.54	8.0	0.88	2.4	(0.34)	(38.6)
Subsidiary Co.	5.93	10.7	-	-	5.93	n.m.
Total	268.14	25.2	237.50	23.9	30.64	12.9

GP margin of Pigments

The gross profit margin of Pigment division increased by 6.2% i.e. from 19.6% in Q2 FY 2005 to 25.8% in Q2 FY2006. This was due to better sales price realisation of Copper Phthalocynine Blue and reduction in raw material cost of Copper Phthalocynine Blue by introducing advance technology.

GP margin of Agrochemicals

The gross profit margin of Agrochemicals division declined by 2% i.e. from 28.3% in Q2 FY 2005 to 26.3% in Q2 FY 2006. This was due to effect of increase in raw material price.

Review of results for the half year ended on September 30, 2005

Revenue

Group revenue for period ended 1H FY 2006 rose by 20.5% to Rs 1929.5 million, from Rs 1601.3 million up to 1H FY 2005.

Breakdown of Revenue by Product

(Rs. in Millions)

Products	1H 2006	1H 2005	Increase/ Decrease	%
Pigments	710.63	672.51	38.12	5.7
Agrochemicals	1100.59	874.63	225.96	25.8
Trading	25.91	54.18	(28.27)	(52.2)
Sales by subsidiary	92.36	-	92.36	n.m.
Total	1929.49	1601.32	328.17	20.5

Breakdown of Domestic Sales by Product

(Rs. in Millions)

Domestic Sales	1H 2006	1H 2005	Increase/ Decrease	%
Pigments	150.26	101.89	48.37	47.5
Agrochemicals	465.28	504.73	(39.45)	(7.8)
Total	615.54	606.62	8.92	1.5

Breakdown of Exports Sales by Product

(Rs. in Millions)

Export Sales	1H 2006	1H 2005	Increase/ Decrease	%
Pigments	560.37	570.61	(10.24)	(1.8)
Agrochemicals	635.31	369.91	265.40	71.7
Trading	25.91	54.18	(28.27)	(52.5)
Sales by subsidiary	92.36	-	92.36	n.m.
Total	1313.95	994.70	319.25	32.1

Reasons for Increase / Decrease of Sales

- (a) Export sales of Pigment Division shows marginal reduction of 1.8%. The reason being sales of pigment in Europe, is now being taken care of by Company's subsidiary.
- (b) Export sales of Agrochemicals Division increased significantly by 71.7% due to higher sales of Acephate Technical in USA, Chlorpyrifos Technical in Belgium, Brazil, Paraguay, USA and Thailand and Permethrin and Alpha Cypermethrin.
- (c) Domestic Sales of Pigment Division increased due to a higher quantity of sales of Copper Phthelocynine Crude and Alpha Blue, as the Group continued to expand its customer base.
- (d) Domestic sales of Agrochemical Division decreased by 7.8% due to heavy rain in many states like Gujarat, Maharashtra, Madhya Pradesh and Andhra Pradesh. This was compensated by higher export.

Gross profit

The Group's gross profit increased by 21.4% to Rs 463.69 million up to 1H FY2006, from Rs 382.08 million in the corresponding period of previous financial year. Despite an increase in cost of raw materials price, the Group's overall gross profit margin increased by 24.1% in 1H FY2006, compared to 23.9% in 1H FY2005 as the company was able to pass increase in raw material cost to its customer.

Breakdown of Gross Profit by Division

(Rs. in Millions)

Division	1H 2006	GP Margin (%)	1H 2005	GP Margin (%)	Increase/ Decrease	%
Pigments	174.28	24.5	148.82	22.1	25.46	17.1
Agrochemicals	273.53	24.9	231.20	26.4	42.33	18.3
Trading	2.37	9.1	2.06	3.8	0.31	15.1
Subsidiary Co.	13.51	14.6	-	-	13.51	n.m.
Total	463.69	24.1	382.08	23.9	81.61	21.4

GP margin of Pigments

The gross profit margin of Pigment division increased by 2.4% i.e. from 22.1% in 1H FY 2005 to 24.5% in 1H FY2006. This was due to better sales price realisation.

GP margin of Agrochemicals

The gross profit margin of Agrochemicals division declined by 1.5% i.e. from 26.4% in 1H FY 2005 to 24.9% in 1H FY 2006,. This was due to effect of increase in raw material price.

Other operating income

Other operating income, which consists mainly of export benefits such as duty entitlement passbook benefit (DEPB), Duty Draw Back, etc, fell by 0.1% despite an increase in export turnover. As per the government policy export oriented units are not eligible for such benefits. The groups Agrochemical plant at Ankleshwar and Pigment plant at Panoli are 100% EOU and not eligible for export benefit.

Distribution , Administrative and Other Operating Expenses

Distribution expenses

Distribution expenses of 1H FY2006 increased by 39.7% to Rs. 157.62 million from 1H FY2005. The main drivers of the expenses were freight (marine), clearing, forwarding and packing cost.

Administrative expenses

Administrative expenses of 1H FY2006 declined by 1.9% to Rs. 60.76 million, from 1H FY2005.

Other Operating Expenses

Other operating expenses of 1H FY2006 were affected due to unpredicted movements in the exchange rate of Indian Rupee against US dollar.

Finance costs

Finance costs during 1H FY2006 increased marginally by 0.4% to Rs 26.99 million. The impact of finance cost due to higher utilisation will be witnessed in next quarter.

Taxation

Income tax decreased by 12.4% in 1H FY2006 because of : (i) Increase in exempted profits of approved Export Oriented Unit (EOU) at Panoli (ii) effect of conversion of Agro Chemicals Unit at Ankleshwar as an EOU in last quarter of FY 2005; (iii) reduction of Tax rate to 33.66% from 36.5925%.

Balance sheet

Trade receivables

Trade receivables increased in 1H FY2006 by 21.9% to Rs. 1595.2 million. This is due to mainly increase in revenue.

Inventories

Inventories during 1H FY 2006 increased by 28.8% to Rs 711.04 million, mainly due to:

- (a) An increase in production capacity of our Pigments and Agrochemicals Divisions.
- (b) The shift in domestic season in Southern part also necessitated to keep higher inventory.

Property, plant and equipment

Fixed assets during 1H FY 2006 increased by Rs 133.64 million, mainly due to expansion of CMAC plant at Agrochemical plant at Ankleshwar.

Investments

Investments of Bharuch Eco Aqua Infrastructure Co. Ltd increased in 1H FY 2006 by Rs 0.4 million. This is towards contribution for effluent treatment project at Panoli.

Share Capital

During the period the Company has not raised any additional capital.

On July 30, 2004, the Company offered 100,400,000 Singapore Depository Shares ("SDSs"), each representing one half of one ordinary share of Rs 1 each, comprising of 69,400,000 new SDS and 31,000,000 Vendor SDS at a price of S\$0.28 (equivalent to Rs 7.41) per SDS. On account of above, Issued and paid up share capital of the Company increased by 34,700,000 shares of Rs 1 each i.e. from 165,930,000 of Rs 1 each to 200,630,000 of Rs. 1 each.

The net proceeds after reducing SDS issue expenses received by the Company was Rs 468.6 million, of which Rs 34.7 million has been credited to the Share Capital account and the balance of Rs 433.9 million transferred to the share premium account.

Bank Borrowings

Bank borrowings (current and non-current) increased by 78.9% to Rs 892.9 million due to :

- (a) Capital expenditure for installation of CMAC plant; and
- (b) Increase in operations resulting higher inventory level and debtors.

Trade payables

Trade payables in 1H FY2006 increased by 37.3% to Rs 517.73 million, in line with the increase in operations.

Financial Analysis

Rs. in millions

Group Key financial highlights	As at 30.09.2005	As at 30.09.2004	Variance	Variance (%)
<u>Profitability</u>				
Sales	1929.49	1601.32	328.17	20.5
Gross Profit	463.69	382.08	81.61	21.4
Gross Profit Margin (%)	24.1%	23.9%	-	-
Profit before tax	245.36	222.83	22.53	10.1
Profit before tax Margin (%)	12.8%	13.9%	-	-
Net profit	182.93	151.52	31.41	20.7
Net profit Margin (%)	9.5%	9.5%	-	-
Earning per Share (EPS in Rs.)	0.91	0.81	0.10	12.3
Annualised return on equity (ROE)	0.08	0.07	0.01	14.3
<u>Financial position</u>				
Net tangible assets	2286.73	2170.49	116.24	5.4
Debt (short term +long term)	892.87	498.82	394.05	78.9
Capital Gearing ratio	0.4	0.2	-	-
Net tangible assets per share	11.40	10.12	1.28	12.6
Stock turnover (days)	86	74	12	16.2
Trade debts turnover (days)	151	157	(6)	(3.8)

Cash flow statement

During the 1H FY2006, the group used in cash fund of Rs 83.42 million from operating activities. This is due to the increase in trade receivables and inventory. The trade receivables increased due to increase in revenue. The higher inventory is due to shift in domestic season in Southern part.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Industry Prospects

Pigments

The world demand for organic pigments is to increase 6.4% per year to US\$5.5 billion in 2005-06. The solid gains forecast for organic pigments are based primarily upon continuing expansion in their bedrock markets: printing ink and coatings, which together account for about 80% of demand. Pigment demand will benefit from rising global production levels and trends toward products that feature higher pigment loadings to create brighter colours.

The Ink, Paints and Plastics industries continue to witness steady growth in demand. India's ability to provide high quality manufacturing is also attracting a higher level of outsourcing from more companies from the developed countries. In addition, companies in the US, Europe, Central and South America, and Japan are also increasing their direct supplies of Pigments from India. The Indian ink industry is also expected to consume more Pigments.

While companies are optimistic about 2005-06 demands, the global pigment industry is abuzz with a pressing issue. The basic chemicals and packaging components used by the pigment industry is going through a period of dramatic price escalation that the market hasn't witnessed in years. Add to that is the rising cost of fuel, which affects transportation costs and energy costs. Increasing raw material prices coupled with rising fuel costs are two of the biggest challenges facing the pigments industry today.

Pricing concerns are prompting a flurry of restructuring activity among key US and Western Europe markets. The recent mega merger between Flint Ink (US) and XSYS Print Solutions (Germany), which was formed earlier this year from the merger of BASF Drucksysteme and ANI Printing Inks, has reinforced the above fact.

Agrochemicals

The global agrochemical market experienced robust growth in 2004 for the first time since mid-1990s with sales up by 12.6% to US\$ 32,200 million. The most significant growth was seen in Latin America due to the spread of Asian Soybean rust. Sales in Asia benefited from the improved economic environment, while European sales were positive due to improved climatic conditions and EU enlargement. The Group expects the growth in agrochemical sector is to continue.

To meet the growing demand, the group has installed additional production capacities of 1000 Mt to produce Cypermethric Acid Chloride at the Ankleshwar plant. Following the completion of trial production, commercial production will start from 01 January, 2006.

Sales of the Ankleshwar plant will enjoy tax benefits up to Year of Assessment beginning April 1, 2010, following approval during the year under review to convert the plant into a 100% Export Oriented Unit.

Outlook for FY 2006

Raw Material Price

During the 2 Q 2006 increases in the crude oil price resulted in higher prices for raw materials that are derivatives of crude oil, such as Phathlic, Ortho Nitro Toluene and solvents. There was also a bullish trend in the metal market, resulting in increases in the prices of Copper and Aluminium.

In recent months, the price of crude oil has increased. Nevertheless, should the trend of rising raw material costs resume, our profitability is likely to be affected in the third quarter of FY2006. As there are no substitutes to our products, we are continuously negotiating with customers to pass on the higher raw material costs.

Market Price

The global market for pigment and agro products continued to show signs of recovery in the sales price of some products. To benefit from the increases in our sales price, the Group will consider hedging of our currency exposure, to reduce the impact of unfavourable exchange rate movements.

Profitability

The Group achieved higher revenue, gross profit margin and net profit margin in 1H FY2006. The Group endeavours to improve management of raw materials and continue to negotiate with customers for better price realisation.

11. Dividend

(a) Current Financial Period Reported on

Any dividend declared for the financial period reported on? **No.**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year :

No.

(c) Date payable: **Not Applicable**

(d) Books closure date: **Not Applicable**

12. If no dividend has been declared/recommended, a statement to that effect.

Not Applicable.

BY ORDER OF THE BOARD

Kamlesh Dinkarray Mehta
Company Secretary
Date: 11.11.2005